

## Economic Conditions

### February 2003

#### Civilian Labor Force

- Virginia's economy shows steady signs of improvement. The state's unemployment rate declined one tenth of a percentage point in December to 3.6 percent compared with 4.2 percent a year ago.
- The December unemployment rate is 51 percent less than the last recession's peak unemployment rate of 7.4 percent in February 1992. The national unemployment rate of 5.7 percent in December is also significantly less than the 8.2 percent experienced during the worst of the last recession.
- 134,000 Virginia workers were unemployed in December 2002 compared with 250,800 in January 1992, the highest monthly total during the last recession.
- 19,000 *fewer* Virginians were unemployed in December than a year earlier—a 12.4 percent decrease. In addition, 4,000 *fewer* Virginians were unemployed in December than November 2002.
- Northern Virginia, which accounts for one-third of Virginia's labor force, had an unemployment rate of 2.5 percent. Five of Virginia's eight MSA's had October unemployment rates above the statewide average—Danville (5.7 percent), Bristol (5.4 percent), Lynchburg (4.5 percent), Norfolk-Newport News (3.8 percent), and Richmond-Petersburg (3.7 percent).
- Virginia's December unemployment rate was lower than all nearby states (Maryland, Tennessee, Georgia, Kentucky, West Virginia, South Carolina, and North Carolina).

		Dec. 02	Dec. 01	Dec. 01 to Dec. 02	
				Net Change	% Change
<b>Labor Force</b>	<b>VA</b>	<b>3,749,647</b>	<b>3,677,227</b>	<b>72,420</b>	<b>2.0%</b>
	<b>US</b>	<b>142,298,000</b>	<b>141,912,000</b>	<b>386,000</b>	<b>0.3%</b>
<b>Employment</b>	<b>VA</b>	<b>3,615,884</b>	<b>3,524,558</b>	<b>91,326</b>	<b>2.6%</b>
	<b>US</b>	<b>134,232,000</b>	<b>134,235,000</b>	<b>-3,000</b>	<b>0.0%</b>
<b>Unemployment</b>	<b>VA</b>	<b>133,763</b>	<b>152,669</b>	<b>-18,906</b>	<b>-12.4%</b>
	<b>US</b>	<b>8,066,000</b>	<b>7,678,000</b>	<b>388,000</b>	<b>5.1%</b>
<b>Unemployment rate</b>	<b>VA</b>	<b>3.6%</b>	<b>4.2%</b>	<b>----</b>	<b>-14.3%</b>
	<b>US</b>	<b>5.7%</b>	<b>5.4%</b>	<b>----</b>	<b>5.6%</b>

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

## Virginia Nonagricultural Employment

- Nonagricultural employment declined by 7,100 jobs from November 2001 to November 2002. Compared with the last recession a decade ago, the employment decline during this downturn has been relatively mild. Nonagricultural employment reached a peak in December 2000 and bottomed out in February 2002 after declining 3.9 percent. This compares with a decline of 5.4 percent for the 1991-92 recession.
- In the past, it has usually taken two to three years for nonagricultural employment to recover completely from the effects of a recession. If past experience is any guide, recovery from the current downturn should be complete by mid-summer of this year.
- Services and government were the only sectors of the Virginia economy that grew from November 2001 to November 2002, adding 11,800 and 2,800 jobs, respectively.
- The largest job losses in Virginia from November 2001 to November 2002 were in wholesale and retail trade (6,000 jobs), manufacturing (5,500 jobs), construction (4,900 jobs), and transportation and public utilities (3,900 jobs).
- Since July 1990, services has added more jobs than any other sector of the Virginia economy—426,100—and has grown at a faster rate than any other sector—58.3 percent.

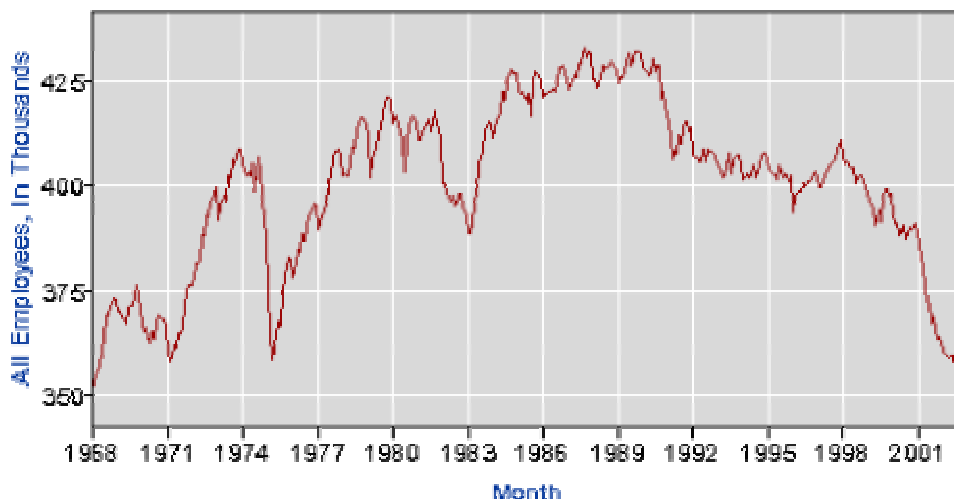
	Current				Historic			
			Nov. 01-Nov. 02				Nov. 90- Nov. 02	
	Nov. 02	Nov. 01	Net Change	%		Nov. 90	Net Change	%
<b>Total</b>	<b>3,524,400</b>	<b>3,531,500</b>	<b>-7,100</b>	<b>-0.2%</b>		<b>2,903,500</b>	<b>620,900</b>	<b>21.4%</b>
<b>Mining</b>	<b>10,000</b>	<b>10,300</b>	<b>-300</b>	<b>-2.9%</b>		<b>14,800</b>	<b>-4,800</b>	<b>-32.4%</b>
<b>Construction</b>	<b>206,800</b>	<b>211,700</b>	<b>-4,900</b>	<b>-2.3%</b>		<b>174,000</b>	<b>32,800</b>	<b>18.9%</b>
<b>Manufacturing</b>	<b>358,100</b>	<b>363,600</b>	<b>-5,500</b>	<b>-1.5%</b>		<b>422,600</b>	<b>-64,500</b>	<b>-15.3%</b>
<b>Trans. and public utilities</b>	<b>177,500</b>	<b>181,400</b>	<b>-3,900</b>	<b>-2.1%</b>		<b>150,700</b>	<b>26,800</b>	<b>17.8%</b>
<b>Wholesale and retail trade</b>	<b>773,800</b>	<b>779,800</b>	<b>-6,000</b>	<b>-0.8%</b>		<b>670,300</b>	<b>103,500</b>	<b>15.4%</b>
<b>Finance, ins., and real estate</b>	<b>193,600</b>	<b>193,700</b>	<b>-100</b>	<b>-0.1%</b>		<b>153,900</b>	<b>39,700</b>	<b>25.8%</b>
<b>Services</b>	<b>1,157,100</b>	<b>1,145,300</b>	<b>11,800</b>	<b>1.0%</b>		<b>731,000</b>	<b>426,100</b>	<b>58.3%</b>
<b>Government</b>	<b>648,500</b>	<b>645,700</b>	<b>2,800</b>	<b>0.4%</b>		<b>586,200</b>	<b>62,300</b>	<b>10.6%</b>

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

## Virginia Manufacturing Employment – Overview

- Although manufacturing employment in Virginia rebounded slightly in November, it remains at its lowest level since May 1968.
- Manufacturing in Virginia has been in a state of long-term decline since reaching its peak employment of 432,500 in September 1989. It has declined 17.2 percent since then, losing 74,400 jobs, with textiles and apparel accounting for 44,000 of the total. In comparison, manufacturing declined nationally by 15.0 percent during the same period. Despite heavy employment losses, manufacturing remains Virginia's largest basic industry.
- Nationally, manufacturing peaked in June 1979 with 21.3 million employees. Since then it has lost 4.7 million jobs through November 2002.
- Manufacturing job losses fall disproportionately on Virginia's non-metropolitan communities. Although they account for just 22 percent of the state's population, they represent 36 percent of the state's manufacturing employment.
- Manufacturing employment in Virginia declined 1.5 percent in November from a year earlier. Among neighboring states, five had greater percentage losses (South Carolina, West Virginia, Maryland, North Carolina, and Tennessee). Two states (Georgia and Kentucky) had smaller losses.

**Virginia Manufacturing Employment, 1968-2002**  
(Source: U.S. Dept. of Labor, Bureau of Labor Statistics)



## Virginia Manufacturing Employment – Durable Goods

- Durable goods lost 1,400 jobs over the past twelve months, a decline of 0.7 percent.
- Job losses were heaviest in three durable goods industries— stone, clay, and glass (900); furniture (800); fabricated metals (600); and electronic equipment (500). The largest percentage losses were in stone, clay, and glass (7.3 percent) and furniture (4.6 percent).
- The only durable goods industries to add significant numbers of new jobs over the past twelve months were industrial machinery and lumber, which grew by 800 and 500 jobs, respectively.
- Although some manufacturing job losses have been due to the overall weakness of the economy, long-term trends are also at work. Electronic equipment has been steadily declining since 1985, largely due to the impact of foreign competition. Since 1990 alone, this industry has lost 13,100 jobs, a 38.3 percent decline, with no end in sight to the losses. Furniture, also feeling the effects of foreign competition, lost 5,800 jobs (a 25.8 percent loss) during the same period. The weight of foreign imports will continue to fall heavily on this industry in the years ahead.
- On a brighter note, over the long-term industrial machinery is one of the few durable goods industries in Virginia to register solid job gains, adding 5,300 jobs since July 1990. This industry has been especially successful in exporting to foreign markets and has played a key role in productivity increases that have enabled manufacturers to produce more with the same or fewer workers.

	Current				Historic			
			Nov. 01–Nov. 02				Nov. 90– Nov. 02	
	Nov. 02	Nov. 01	Net Change	%		Nov. 90	Net Change	%
<b>Total manufacturing</b>	<b>358,100</b>	<b>363,600</b>	<b>-5,500</b>	<b>-1.5%</b>		<b>422,600</b>	<b>-64,500</b>	<b>-15.3%</b>
<b>Durable goods</b>	<b>186,800</b>	<b>188,200</b>	<b>-1,400</b>	<b>-0.7%</b>		<b>203,600</b>	<b>-16,800</b>	<b>-8.3%</b>
<b>Lumber</b>	<b>26,700</b>	<b>26,200</b>	<b>500</b>	<b>1.9%</b>		<b>23,600</b>	<b>3,100</b>	<b>13.1%</b>
<b>Furniture</b>	<b>16,700</b>	<b>17,500</b>	<b>-800</b>	<b>-4.6%</b>		<b>22,500</b>	<b>-5,800</b>	<b>-25.8%</b>
<b>Stone, clay, glass</b>	<b>11,400</b>	<b>12,300</b>	<b>-900</b>	<b>-7.3%</b>		<b>14,000</b>	<b>-2,600</b>	<b>-18.6%</b>
<b>Primary metals</b>	<b>9,700</b>	<b>10,000</b>	<b>-300</b>	<b>-3.0%</b>		<b>11,300</b>	<b>-1,600</b>	<b>-14.2%</b>
<b>Fabricated metals</b>	<b>17,000</b>	<b>17,600</b>	<b>-600</b>	<b>-3.4%</b>		<b>18,000</b>	<b>-1,000</b>	<b>-5.6%</b>
<b>Ind. machinery</b>	<b>27,800</b>	<b>27,000</b>	<b>800</b>	<b>3.0%</b>		<b>22,500</b>	<b>5,300</b>	<b>23.6%</b>
<b>Electronic equip.</b>	<b>21,100</b>	<b>21,600</b>	<b>-500</b>	<b>-2.3%</b>		<b>34,200</b>	<b>-13,100</b>	<b>-38.3%</b>
<b>Trans. equip.</b>	<b>41,400</b>	<b>41,200</b>	<b>200</b>	<b>0.5%</b>		<b>44,600</b>	<b>-3,200</b>	<b>-7.2%</b>
<b>Instruments</b>	<b>10,700</b>	<b>10,600</b>	<b>100</b>	<b>0.9%</b>		<b>9,900</b>	<b>800</b>	<b>8.1%</b>
<b>Misc. mfg.</b>	<b>4,300</b>	<b>4,200</b>	<b>100</b>	<b>2.4%</b>		<b>3,000</b>	<b>1,300</b>	<b>43.3%</b>

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

## Virginia Manufacturing Employment – Nondurable Goods

- Nondurable goods lost 4,100 jobs over the past 12 months, a decline of 2.3 percent.
- Tobacco products added 1,100 jobs over the past year. Rubber and plastics added 500 jobs and printing added 300. All other nondurables lost jobs.
- The heaviest job losses of the past twelve months were in textiles, apparel, and paper, which lost a combined total of 5,500 jobs.
- The long-term prospects for several of Virginia's nondurable goods industries are particularly poor. Textiles and apparel, reflecting national trends, have been battered by foreign imports. Both industries have lost jobs since the early 1970s with combined losses totaling 60,000 jobs. However, almost two-thirds of these jobs were lost since 1990. Given current trends the apparel industry will likely cease to exist as a viable industry in Virginia within 5 to 10 years.
- Virginia's chemical industry, which peaked at 47,300 employees in 1968, has also been in long-term decline. Since then it has lost 28,300 jobs, 10,500 since 1990 alone.

	Current				Historic			
			Nov. 01–Nov. 02				Nov. 90- Nov. 02	
	Nov. 02	Nov. 01	Net Change	%		Nov. 90	Net Change	%
<b>Total manufacturing</b>	<b>358,100</b>	<b>363,600</b>	<b>-5,500</b>	<b>-1.5%</b>		<b>422,600</b>	<b>-64,500</b>	<b>-15.3%</b>
<b>Nondurable goods</b>	<b>171,300</b>	<b>175,400</b>	<b>-4,100</b>	<b>-2.3%</b>		<b>219,000</b>	<b>-47,700</b>	<b>-21.8%</b>
Food products	39,000	39,600	-600	-1.5%		37,900	1,100	2.9%
Tobacco products	9,800	8,700	1,100	12.6%		13,700	-3,900	-28.5%
Textiles	19,200	22,600	-3,400	-15.0%		39,700	-20,500	-51.6%
Apparel	8,100	9,100	-1,000	-11.0%		26,100	-18,000	-69.0%
Paper	15,200	16,000	-800	-5.0%		17,000	-1,800	-10.6%
Printing	36,900	36,600	300	0.8%		35,600	1,300	3.7%
Chemicals	19,000	19,100	-100	-0.5%		29,500	-10,500	-35.6%
Rubber/plastics	23,200	22,700	500	2.2%		17,100	6,100	35.7%
Petroleum/leather	900	1,000	-100	-10.0%		2,400	-1,500	-62.5%

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

## Virginia Nonmanufacturing Employment – Selected Industries

- Although manufacturing is still by far Virginia's largest basic industry, several basic nonmanufacturing industries have had an increasingly significant impact on the Virginia economy, including communications, business services, and engineering and management services.
- These three industries grew significantly faster than nonagricultural employment as a whole since 1990 with business services leading with a 95.1 percent increase, followed by engineering and management services, 57.3 percent, and communications, 27.9 percent. This compares with 21.4 percent employment growth for nonagricultural employment during the same period.

	Current				Historic			
			Nov. 01-Nov. 02				Nov. 90-Nov. 02	
	Nov. 02	Nov. 01	Net Change	%		Nov. 90	Net Change	%
<b>Nonmanufacturing</b>	<b>3,167,300</b>	<b>3,167,900</b>	<b>-600</b>	<b>0.0%</b>		<b>2,480,900</b>	<b>686,400</b>	<b>27.7%</b>
<b>Communications</b>	<b>56,900</b>	<b>59,300</b>	<b>-2,400</b>	<b>-4.0%</b>		<b>44,500</b>	<b>12,400</b>	<b>27.9%</b>
<b>Business services</b>	<b>312,900</b>	<b>314,200</b>	<b>-1,300</b>	<b>-0.4%</b>		<b>160,400</b>	<b>152,500</b>	<b>95.1%</b>
<b>Engineering and management svcs</b>	<b>148,800</b>	<b>142,600</b>	<b>6,200</b>	<b>4.3%</b>		<b>94,600</b>	<b>54,200</b>	<b>57.3%</b>

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

## Consumer Price Index

- The Consumer Price Index for All Urban Consumers (CPI-U) declined 0.2 percent in December. On a seasonally adjusted basis the CPI-U increased 0.1 percent in December.
- The index for food at home increased 0.3 percent. Excluding food and energy, the CPI-U increased 0.1 percent in December.
- For the 12-month period ending in December, the CPI-U rose 2.4 percent. In 2001, it increased 1.6 percent.

Current		Historic			
Dec. 02	% Change, Nov. 02 to Dec. 02	% Change Dec. 01 to Dec. 02	% Change Dec. 90 to Dec. 02	% Change Dec. 80 to Dec. 02	% Change Dec. 70 to Dec. 02
<b>180.9</b>	<b>-0.2%</b>	<b>2.4%</b>	<b>35.2%</b>	<b>109.6%</b>	<b>354.5%</b>

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

## Finance

- One of the most frequently quoted and misunderstood financial indicators, the federal funds rate remains at its lowest level in more than four decades.
- The Dow Jones Industrial Average, S&P 500, and NASDAQ are currently 31 percent, 44 percent, and 74 percent, respectively, below their all-time highs of almost three years ago.
- The Dow Jones Industrial Average ended 2002 with its worst annual loss in 25 years, giving the Dow its first three-year losing streak since before World War II. The Dow has fallen four consecutive years only once—from 1929 to 1932, at the start of the Great Depression. The S&P 500 experienced its worst year since 1974.

	Feb. 03	% Change, 1 Month	% Change, 3 Months	% Change, 6 Months	% Change, 1 Year
<b>DJIA</b>	<b>8110</b>	<b>-5.8%</b>	<b>-4.8%</b>	<b>-4.7%</b>	<b>-18.1%</b>
<b>S&amp;P 500</b>	<b>860</b>	<b>-5.4%</b>	<b>-4.6%</b>	<b>-2.8%</b>	<b>-23.4%</b>
<b>NASDAQ</b>	<b>1324</b>	<b>-4.4%</b>	<b>-2.7%</b>	<b>3.4%</b>	<b>-30.7%</b>

	Feb. 03	Aug. 02	Feb. 02
<b>Federal funds rate</b>	<b>1.25%</b>	<b>1.75%</b>	<b>1.75%</b>
<b>Treasury – 5 year</b>	<b>2.98%</b>	<b>3.36%</b>	<b>4.30%</b>
<b>Treasury – 10 year</b>	<b>3.99%</b>	<b>4.40%</b>	<b>4.98%</b>
<b>Bank prime loan rate</b>	<b>4.25%</b>	<b>4.75%</b>	<b>4.75%</b>

Note: Data is for the first business day of the month.

Source: Reuters and the Board of Governors of the Federal Reserve System.

For more information contact Jay Ruehrmund, Research Director, at (804) 371-0071 or by e-mail at [jruehrmund@dba.state.va.us](mailto:jruehrmund@dba.state.va.us).